

**Testimony of**  
**Secretary of Commerce**  
**Donald L. Evans**  
  
**on Progress Implementing the National Export Strategy**  
  
**before the**  
**Senate Committee on Banking, Housing and Urban Affairs**  
  
**May 21, 2003**

**Introduction**

Chairman Shelby, Senator Sarbanes, Members of the Committee, it is with great pride that I present our progress report on the implementation of the National Export Strategy. Last May, I testified, along with my colleagues on the Trade Promotion Coordinating Committee (TPCC), on the Bush Administration's roadmap for improving the Federal Government's trade promotion programs. We made a commitment at that time that we would use the TPCC to ensure that the U.S. business community had world-class products and services by the end of this Administration. I am here to report to you that we are on track.

Let me say at the outset that we are under no illusion that the challenge we are trying to meet is easy. As you are aware, our trading partners still dedicate considerable resources and high-level attention to their export promotion programs. The United States continues to have the lowest staffing and spending as a percentage of GDP on export promotion among the G-7 countries. In addition, many of the recommendations we set out in last year's National Export Strategy are tall orders, and will take more time to accomplish. But as I said last May, we are focused on results. This year, we have not developed another National Export Strategy with a new set of recommendations; rather we are keeping our commitment to both you and our clients to follow through with what we promised last year. We believe we have made good progress on the most important recommendations contained in the National Export Strategy. The TPCC

agencies have become better strategic partners of business early in the procurement process. In addition, we have sharpened our focus on customer service and strengthened our education and partnership efforts. We know what remains to be done, and we intend to accomplish it.

Mr Chairman, before I provide an update on our National Export Strategy recommendations, I want to mention some of the contributions the TPCC is making in other areas. First, the TPCC has become a resource and an advocate for the U.S. business community in a number of vital areas. This has meant everything from helping U.S. businesses understand the procurement process in the Iraq Reconstruction effort to getting them the timely information they need to make decisions or making sure their voice is heard within the Administration on key initiatives.

Second, the active cooperation - indeed, leadership - of my colleagues here with me today has resulted in a new culture of coordination and client service among the TPCC agencies which we believe will make a difference in the quality of our programs across the board. We have built a number of bridges across the agencies - whether it be between Overseas Private Investment Corporation (OPIC) and the Department of Commerce's Commercial Service or the Department of Commerce's Advocacy Center and the Export-Import Bank (Ex-Im Bank) - to provide our clients with faster service and more products. When it makes sense, we are integrating our programs.

Third, the TPCC is playing a role in the Administration's economic strategy in crisis regions such as Iraq, and in helping support our coalition partners. Agencies are thinking of the first steps they will take to help get the Iraqi economy running once sanctions are lifted, and we have developed initiatives to stimulate trade and investment in those coalition countries where there is a need.

For example, a number of TPCC agencies are playing or will soon play a significant role in Iraq Reconstruction. We have met several times to discuss our efforts. The Department of the Treasury has taken the lead in addressing the financial infrastructure in Iraq. The U.S. Agency for International Development (USAID) is, of course, another key player, providing reconstruction grants and humanitarian and technical assistance to the people of Iraq. The TPCC is working within the Administration to ascertain the major obstacles preventing the finance agencies from operating in Iraq. Once these obstacles are overcome, agencies are looking at a variety of steps they could take, including the following:

- ▶ ***U.S. Trade and Development Agency (USTDA)*** - USTDA will use grant funding for technical assistance and feasibility studies to support future projects in Iraq, including transportation, telecommunications, and electric power. USTDA believes this could provide up to \$2.5 million in FY 03 to support reconstruction efforts in Iraq.
- ▶ ***OPIC*** - OPIC is considering using its existing finance, insurance, and funds programs to help provide liquidity to the financial sector and provide insurance to businesses and contractors.
- ▶ ***Ex-Im Bank*** - Ex-Im Bank also envisions using interim measures, such as looking to the credit of third-country financial institutions to finance U.S. exports to Iraq, pending the establishment of a creditworthy banking system, or other means of finding reasonable assurance of repayment in Iraq.
- ▶ ***Commerce*** - Commerce is already providing information to U.S. and coalition companies. The TPCC agencies have worked together to produce an Iraq business guide

that provides companies with information on the current commercial environment in Iraq. Agencies and embassies have been flooded with calls from our allies and U.S. businesses about Administration reconstructions plans. In order to address these demands for information, the TPCC hosted a number of interagency meetings that culminated with a joint briefing by the Departments of Commerce, State and Defense and USAID for U.S. trade associations at the Department of Commerce. A second briefing for coalition partners was held at the Department of State. On June 5, 2003, International Trade Administration Under Secretary Grant Aldonas will moderate another interagency roundtable at the Department of Commerce which will provide U.S. businesses with an update on procurement opportunities and a status report on the sanctions situation.

We are also participating in efforts to assist our coalition partners. For example, Administration representatives have traveled to a number of the countries to help promote closer commercial ties between us. I went to Bulgaria, Romania and Slovakia in March and plan to travel to Eastern Europe again in the Fall. We are looking into the continuation, and possible expansion, of Commerce's Central and Eastern Europe Business Information Centers (CEEbIC), currently funded by State and USAID, to promote investment and trade opportunities in each of the coalition partner countries in that region. The agencies are also planning a trade and investment conference in the Fall.

### **Implementing the National Export Strategy**

Of the 60 recommendations presented in the May 2002 National Export Strategy, 40 percent have been implemented. Those recommendations that are not completed are well underway.

**Strategic Initiatives.** Last year U.S. exporters told us they needed more aggressive U.S. government support for major projects early in the bidding process to meet foreign governments' forceful use of financing. We looked at how other governments advocated on behalf of their companies, and developed a response: a proactive interagency approach in key markets and projects and more effective use of our development assistance and trade financing, when appropriate.

Over the past year, we have achieved measurable success:

*Early project development.* This is an ongoing exercise, as many of the projects we want to target will not come to fruition for several years. However almost as important as success on a specific project is the more forward leaning culture throughout the agencies that is resulting from this initiative. Like other governments, we have recognized the importance of demonstrating the likelihood of financing up front in the procurement process. Ex-Im Bank has developed a letter of interest which our Commercial Service officers can use when they solicit projects on behalf of U.S. exporters. Ex-Im Bank and the Advocacy Center have established a Memorandum of Understanding that increases the likelihood and speed of financing for projects the Commerce Department advocates for.

Mexico, China, and Russia were our initial pilot markets; however, we have not been constrained by those targets. We are applying this proactive approach dynamically to opportunities as they arise. Our Advocacy Center director is working with USTDA and OPIC representatives to explore early project development possibilities in Azerbaijan. In China, Ex-Im Bank is pursuing a framework agreement with the Ministry of Finance, and we have a interagency mission planned, which is currently on hold. In Mexico, agencies brought together hundreds of municipal water and wastewater officials and U.S. companies under the umbrella of

a conference organized by Ex-Im Bank and the Mexican development bank. Commerce and TDA followed up that conference by bringing officials of some of the most promising projects to attend a water conference in San Diego in the Spring. In Russia, the trade financing agencies and Commerce will travel together on missions to scout out early projects. We also are taking steps to build good faith relationships with Brazil as they come out of a difficult economic stretch.

*Mixed Credit Initiative.* A pilot initiative combining USAID grants with Ex-Im Bank financing for developmental projects in middle income countries is one of the best examples of how agencies can do more when they combine their efforts. USAID, Ex-Im Bank, Commerce and the Treasury worked during the Summer last year to design and develop procedures to implement a pilot program. After the 2003 budget was passed, USAID sent out a cable and we are now getting inquiries from a number of overseas posts. We are currently discussing a pilot project in Peru with the USAID mission. The experience we gain from this pilot holds great promise for better coordination between the economic development and trade promotion agendas on a variety of fronts.

*Front-End Engineering and Design (FEED) Studies.* This is technical assistance that sets the specifications for particular projects, and therefore often creates a competitive advantage for the country sponsoring it to obtain the follow-on project. Immediately after the publication of our report last May, which included a USTDA pilot FEED study project, the Japanese agreed to a U.S. proposal in the Organization for Economic Cooperation and Development not to link these early project studies with larger untied aid projects. This eliminates an important advantage Japanese firms had over U.S. companies in winning major projects. This recommendation stemmed from a complaint from U.S. exporters that the Japanese had used these studies to lock in the overall project for their firms.

*Afghanistan.* Since OPIC and USTDA undertook the first joint investment mission to Afghanistan last May, USTDA has followed up with orientation visits and feasibility studies for a number of Afghan infrastructure ministries. The Commerce Department has hosted Afghan-American business roundtables and matchmaking events. USTDA and Commerce will jointly sponsor a conference in June on Afghanistan Reconstruction.

**Customer Service.** There is a new culture among the agencies of putting the client first. When the heads of the other agencies and I first got together, we made a commitment to our customers and to the American taxpayer. Rather than create a new crop of programs, we decided to ask the business community what they wanted from us. Rather than duplicate each others' marketing and outreach efforts, we decided to leverage each others' strengths and human capital. With the President's Management Agenda as a backdrop, these commitments have grown into a new culture of customer service.

*Ex-Im Bank Restructuring.* The Ex-Im Bank went through one of the largest reorganizations in its history this past Fall. It has become more market-focused and customer driven, while enhancing its management of risk. The changes are designed to streamline case processing, and standardize customer service and credit evaluation across product lines.

*Working Capital.* The Small Business Administration (SBA) and Ex-Im Bank have a team developing a parallel financing arrangement to provide the small business exporter with a seamless approach to access working capital for export sales. Commerce, Ex-Im and SBA are also exploring taking this coordination to a new level by further integrating the working capital programs of Ex-Im Bank and SBA and the marketing efforts of all three agencies. The goal is to have the customer see only one trade finance tool, but provide the agencies with the flexibility to bring to bear the best of SBA and Ex-Im Bank programs. All three agencies would be focused

directly on making sure smaller companies are aware of and can easily benefit from the best financing option available, whether it is provided by SBA, Ex-Im Bank, or, whenever possible, a private sector financial institution.

*Streamlining our programs and processes.* We have redesigned Export.gov, the Federal Government's primary trade website, to make it more useful to small businesses. This redesign was based on feedback from U.S. businesses. Key aspects of the redesign are :

- ▶ ***“Export Basics.”*** We have added a “Export Basics” section designed for new exporters containing *“The Basic Guide to Exporting”* and a step-by-step guide through the exporting process.
- ▶ ***NAFTA Certificate of Origin Tool.*** The new NAFTA Certificate of Origin Tool guides exporters of products to Mexico or Canada through the NAFTA form with easy step-by-step instructions. This greatly reduces the time it takes exporters to fill out the form and will allow more of them to take advantage of the tariff benefits.
- ▶ ***BuyUSA.*** The website provides seamless integration with the BuyUSA online partner and trade lead matching service, allowing visitors to access the services of multiple agencies as well as search for partners and trade leads.
- ▶ ***Catalogue of Products and Services.*** The redesigned website categorizes lists of products and services for exporters, offered by the Department of Commerce, the Foreign Agricultural Service, SBA, and Ex-Im Bank.
- ▶ ***Export.gov Community Registration.*** Community Registration allows site visitors to provide basic information into a central repository that can be accessed by ITA, FAS, Ex-



Im Bank and SBA. Registrants are then able to receive targeted export assistance, market and event information, and automatically fill in online forms within Export.gov.

*Training.* We held the first interagency trade officer training session last January. Its focus was real-world applications of agency programs and instilling an “account manager” approach - proactively addressing the clients long-term needs, rather than answering one question or helping him with one export action. We had 31 participants from nine of the TPCC agencies. It was extremely successful, according to our participant feedback.

*Marketing.* We have a marketing working group that has developed a number of joint publications, organized an interagency pavilion at eight domestic trade shows, and conducted a dozen interagency trade seminars and symposiums.

**State Partners.** We are working to leverage our state partners. As state budgets have tightened, we have reached out to our state partners to provide opportunities to leverage federal trade promotion resources. For example:

- ▶ **Florida MOU.** The U.S. Export Assistance Center agencies (Department of Commerce, Ex-Im Bank, and SBA) signed a Memorandum of Understanding that expanded an existing trade alliance to include some 15 trade organizations throughout Florida. The partnership includes a network of Small Business Development Centers, Chambers of Commerce, and Economic Development Centers. We are collaborating on training, business counseling, and trade finance facilitation.

- ▶ ***Partnership with New Jersey.*** The Commercial Service and the State of New Jersey signed a partnership agreement. The agreement colocates the CS and the New Jersey Commerce and Economic Growth Commission's Office of International Trade and Protocol. In addition to combining efforts on a number of one-stop shopping services, providing access to the Commercial Service's worldwide database and collaborating on a successful trade mission to the Philippines, we have worked together on substantial outreach to state legislators to educate them about the resources available.
  
- ▶ ***Trade Mission to Central America.*** The State of Alabama is taking a trade mission to Central America (El Salvador and Guatemala) on May 17-23, 2003. The Birmingham Export Assistance Center is cooperating in the promotion and recruitment for the event.

## **Next Steps**

While we have made a good start, the coming year will be critical, as we are in the midst of following through on the most difficult recommendations. The TPCC will continue to focus on achieving measurable results to make sure that the way we implement these recommendations have the kind of impact that exporters expect. We will focus on:

- ▶ ***Iraq.*** The TPCC will work to address existing obstacles to trade and finance agency operations and coordinate efforts to stimulate private investment and trade.
  
- ▶ ***Early Project Development.*** We will develop a set of priority projects based on interagency business development missions.
  
- ▶ ***Finance.*** We will complete the co-guarantee between Ex-Im Bank and SBA, integrate

the programs to the extent possible, and leverage Commercial Service resources toward joint marketing.

- ▶ ***Training.*** The TPCC will institutionalize and possibly certify interagency trade officer training. June and September sessions will fine tune content. We want to expand participants to include Congressional offices and States.
- ▶ ***Budget.*** We intend to leverage existing agency budgets in FY05 on priorities such as training and technology.

In sum, we will keep our eye on the ball, and make sure we can show you next year, just as we have today, that we are close to providing world class programs and services for our exporters. My colleagues and I promise you that with your support, we will follow through with our original agenda, and add to it as the needs of the business community, the TPCC agencies and the Administration evolve.

I thank you very much for inviting me here today. I would be pleased to answer any questions you may have.